

# DEPARTMENT OF TAXATION MAJOR FUNCTIONS

- Administers and enforces the tax laws of Hawaii and the collection of taxes and other payments.
- Coordinates a centralized system for receiving and processing of all tax returns, payments and documents.
- Provides one-stop customer service, assistance and information on all taxes administered by the department to customers who walk in, call-in, correspond or e-mail.
- Administers a comprehensive and uniform compliance program based on self-assessment and voluntary compliance.

- Conducts audits and investigations of all types of tax returns.
- Conducts and enforces collection of delinquent taxes by appropriate collection procedures.
- Plans, organizes and coordinates a tax research and tax planning program.
- Provides administrative and research support to the Council on Revenues which prepares revenue estimates for the State on a quarterly basis.

### **MAJOR PROGRAM AREAS**

The Department of Taxation has a program in the following major program area:

### **Government-Wide Support**

	A. A.
TAX 100	Revenue Collections

TAX 105 Tax Services and Processing

TAX 107 Supporting Services – Revenue Collections

# DEPARTMENT OF TAXATION Department Summary

#### Mission Statement

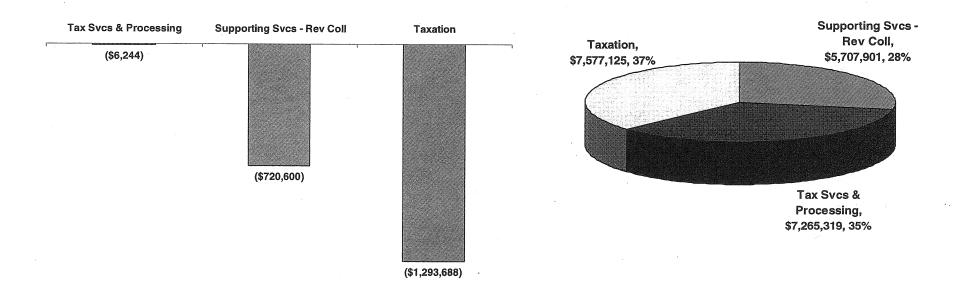
To administer the tax laws of the State of Hawaii in a consistent, uniform and fair manner by educating taxpayers on tax laws, by developing a professional staff and by using technology to increase efficiency and effectiveness.

### Department Goals

To provide one-stop customer service; to increase collection capabilities through efficient allocation of resources; to simplify taxpayer filings, provide a more user-friendly interface with the public, speed up refunds and expedite delinquent referrals; to automate tax filings, billings and collections; to expand capacity for research and revenue analysis; to permit more flexibility in accommodating tax law changes and initiatives to improve tax administration.

## FY 2011 Supplemental Operating Budget Adjustments by Major Program

# FY 2011 Supplemental Operating Budget



# **Department of Taxation Operating Budget**

			Act 162/2009 FY 2010	Act 162/2009 FY 2011	FY 2011 Adjustments	Total FY 2011
<b>Funding Sources:</b>	Positions	Perm	391.50	391.50	-33.00	358.50
		Temp	187.00	187.00	-74.00	113.00
General Funds		\$	22,176,219	22,118,877	-2,615,532	19,503,345
		Perm	0.00	0.00	0.00	0.00
		Temp	0.00	0.00	0.00	0.00
Special Funds		\$	452,000	452,000	595,000	1,047,000
		Perm	391.50	391.50	-33.00	358.50
		Temp	187.00	187.00	-74.00	113.00
Total Requirements	•	\$	22,628,219	22,570,877	-2,020,532	20,550,345

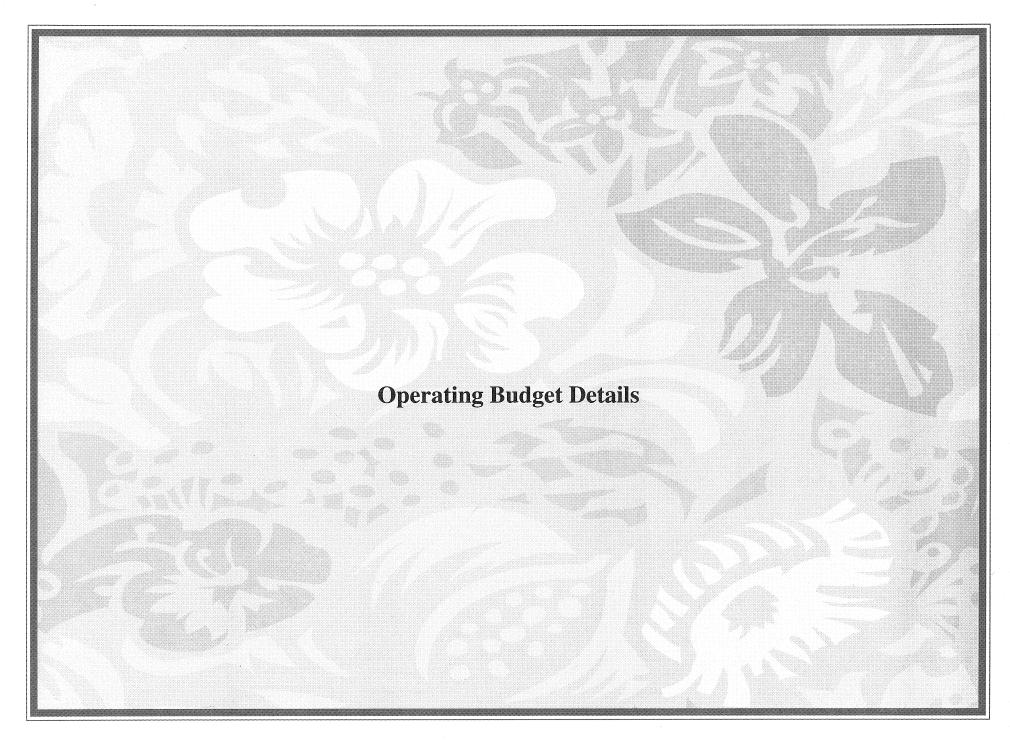
### Comments: (general funds unless otherwise noted)

- 1. Did not meet the special fund targeted reductions based on the combined abolishment, RIF & furlough savings.
- 2. Requested a ceiling increase of \$575,000 for the Tax Administration special fund.
- 3. Requested a ceiling increase of \$20,000 for the Cigarette Tax Administration special fund.

### Department of Taxation Capital Improvements Budget

	Act 162/2009 FY 2010	Act 162/2009 FY 2011	FY 2010 Adjustments	FY 2011 Adjustments	Total FY 2010	Total FY 2011
<b>Funding Sources:</b>						THE STATE OF THE S
General Obligation Bonds	0		0	0	0	0
Federal Funds	0		0	0	0	0
Total Requirements	0		0	0	0 0	0

**Comments on Dept CIP Budget Request:** (general obligation bonds unless otherwise noted) None.



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PROGRAM ID:

TAX-

PROGRAM STRUCTURE NO: 11

PROGRAM TITLE:

GOVERNMENT-WIDE SUPPORT

		FY 2010			FY 2011		BIENNIU	JM TOTALS	
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES EQUIPMENT	391.50* 19,155,399 3,462,820 10,000	*	391.50* 19,155,399 3,462,820 10,000	391.50* 19,098,057 3,462,820 10,000	-33.00* 2,089,383- 53,851 15,000	358.50*  17,008,674   3,516,671   25,000	* 38,253,456 6,925,640 20,000	36,164,073 6,979,491 35,000	· *
TOTAL OPERATING COST	22,628,219		22,628,219	22,570,877	2,020,532-	20,550,345	45,199,096	43,178,564	4.47-
BY MEANS OF FINANCING									
	391.50*	*	391.50*	391.50*	-33.00*	358.50*	*	*	*
GENERAL FUND	22,176,219		22,176,219	22,118,877	2,615,532-	19,503,345	44,295,096	41,679,564	
	*	*	*	*	*	*	*	*	*
SPECIAL FUND	452,000		452,000	452,000	595,000	1,047,000	904,000	1,499,000	
TOTAL POSITIONS	391.50*	*	391.50*	391.50*	-33.00*	358.50*			
TOTAL PROGRAM COST	22,628,219		22,628,219	22,570,877	2,020,532-	20,550,345	45,199,096	43,178,564	4.47-

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PROGRAM ID:

TAX-

PROGRAM STRUCTURE NO: 1102

PROGRAM TITLE:

FISCAL MANAGEMENT

		FY 2010			FY 2011		BIENNIU	JM TOTALS	
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES EQUIPMENT	391.50* 19,155,399 3,462,820 10,000	*	391.50* 19,155,399 3,462,820 10,000	391.50* 19,098,057 3,462,820 10,000	-33.00* 2,089,383- 53,851 15,000	358.50* 17,008,674 3,516,671 25,000	* 38,253,456 6,925,640 20,000	36,164,073 6,979,491 35,000	*
TOTAL OPERATING COST	22,628,219		22,628,219	22,570,877	2,020,532-	20,550,345	45,199,096	43,178,564	4.47-
BY MEANS OF FINANCING			·			'			
GENERAL FUND	391.50* 22,176,219	*	391.50* 22,176,219	391.50* 22,118,877	-33.00* 2,615,532-	358.50* 19,503,345	* 44,295,096	* 41,679,564	*
SPECIAL FUND	452,000	* ·	452,000	452,000 *	595,000 *	1,047,000	904,000	* 1,499,000	*
TOTAL POSITIONS TOTAL PROGRAM COST	391.50* 22,628,219	*	391.50*¦ 22,628,219 ¦	391.50* 22,570,877	-33.00* 2.020.532-	358.50*  20.550.345	45.199.096	43.178.564	4.47-
		*				358.50*  20,550,345     -	45,199,096 ====================================	43,178,564	4.47

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PROGRAM ID:

TAX-

PROGRAM STRUCTURE NO: 110201

PROGRAM TITLE:

REVENUE COLLECTION

	FY 2010			FY 2011			BIENNIUM TOTALS		
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	391.50*	*	391.50*	391.50*	-33.00*	358.50*	*	*	* *
PERSONAL SERVICES	19,155,399		19,155,399	19,098,057	2,089,383-	17,008,674	38,253,456	36,164,073	
OTH CURRENT EXPENSES	3,462,820		3,462,820	3,462,820	53,851	3,516,671	6,925,640	6,979,491	
EQUIPMENT	10,000		10,000	10,000	15,000	25,000	20,000	35,000	
TOTAL OPERATING COST	22,628,219		22,628,219	22,570,877	2,020,532-	20,550,345	45,199,096	43,178,564	4.47-
BY MEANS OF FINANCING						, ,			
	391.50*	*	391.50*	391.50*	-33.00*	358.50*	*	*	*
GENERAL FUND	22,176,219		22,176,219	22,118,877	2,615,532-	19,503,345	44,295,096	41,679,564	
	*	*	*	*	*	*	*	*	*
SPECIAL FUND	452,000		452,000	452,000	595,000	1,047,000	904,000	1,499,000	
TOTAL POSITIONS	391.50*	*	391.50*¦	391.50*	-33.00*	358.50*			
TOTAL PROGRAM COST	22,628,219		22.628.219	22,570,877	2,020,532-	20,550,345	45,199,096	43,178,564	4.47-
			=======================================	=======================================	=======================================	=======================================	=======================================	-3,176,504	7.71

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PROGRAM ID:

TAX-100

PROGRAM STRUCTURE NO: 11020101

PROGRAM TITLE:

COMPLIANCE

FY 2010			FY 2011			BIENNIUM TOTALS		
CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
187.50* 8,714,713 156,100	*	187.50* 8,714,713 156,100	187.50* 8,714,713 156,100	-14.00* 1,371,655- 21,547 10,000	173.50* 7,343,058 177,647 10,000	17,429,426 312,200	16,057,771 333,747 10,000	*
8,870,813		8,870,813	8,870,813	1,340,108-	7,530,705	17,741,626	16,401,518	7.55-
187.50* 8,870,813	ж	187.50* 8,870,813	187.50* 8,870,813	-14.00* 1,340,108-	173.50*  7,530,705	* 17,741,626	* 16,401,518	*
187.50* 8,870,813	*	187.50* 8,870,813	187.50* 8,870,813	-14.00* 1,340,108-	173.50* 7,530,705	17,741,626	16,401,518	7.55-
	187.50* 8,714,713 156,100 8,870,813 187.50* 8,870,813	CURRENT APPRN ADJUSTMENT  187.50* 8,714,713 156,100  8,870,813  187.50* 8,870,813  187.50* *	CURRENT ADJUSTMENT RECOMMEND APPRN  187.50* * 187.50* 8,714,713 156,100 156,100  8,870,813 8,870,813 8,870,813 8,870,813 8,870,813 187.50* * 187.50*	CURRENT APPRN ADJUSTMENT RECOMMEND APPRN APPRN  187.50* * 187.50* 187.50* 8,714,713 156,100 156,100  8,870,813 8,870,813 8,870,813 8,870,813  187.50* * 187.50* 187.50* 187.50* 187.50* 187.50* 187.50* 187.50* 187.50* 187.50* 187.50* 187.50* 187.50* 187.50* 187.50* 187.50*	CURRENT APPRN         ADJUSTMENT         RECOMMEND APPRN         CURRENT APPRN         ADJUSTMENT           187.50*         *         187.50*         187.50*         -14.00*           8,714,713         8,714,713         8,714,713         1,371,655-           156,100         156,100         21,547           10,000         10,000           8,870,813         8,870,813         1,340,108-           187.50*         *         187.50*         187.50*         -14.00*           8,870,813         8,870,813         1,340,108-         -14.00*           187.50*         *         187.50*         187.50*         -14.00*	CURRENT APPRN         ADJUSTMENT         RECOMMEND APPRN         CURRENT APPRN         ADJUSTMENT         RECOMMEND APPRN           187.50*         *         187.50*         187.50*         -14.00*         173.50*           8,714,713         8,714,713         1,371,655-         7,343,058           156,100         156,100         21,547         177,647           10,000         10,000         10,000           8,870,813         8,870,813         1,340,108-         7,530,705           187.50*         *         187.50*         -14.00*         173.50*           8,870,813         8,870,813         1,340,108-         7,530,705	CURRENT APPRN         ADJUSTMENT         RECOMMEND APPRN         CURRENT APPRN         ADJUSTMENT         RECOMMEND APPRN         CURRENT APPRN         RECOMMEND APPRN         CURRENT APPRN         CURRENT APPRN         RECOMMEND APPRN         CURRENT APPRN         RECOMMEND APPRN         CURRENT APPRN         RECOMMEND APPRN         CURRENT APPRN         APP	CURRENT APPRN         ADJUSTMENT         RECOMMEND APPRN         CURRENT APPRN         RECOMMEND APPRN         CURRENT APPRN         RECOMMEND APPRN         CURRENT BIENNIUM         RECOMMEND BIENNIUM           187.50*         *         187.50*         -14.00*         173.50*         *         *         *           8,714,713         8,714,713         1,371,655-         7,343,058         17,429,426         16,057,771           156,100         156,100         156,100         21,547         177,647         312,200         333,747           10,000         10,000         10,000         10,000         10,000         10,000         10,000           8,870,813         8,870,813         8,870,813         1,340,108-         7,530,705         17,741,626         16,401,518           187.50*         *         187.50*         -14.00*         173.50*         *         *         *           187.50*         *         187.50*         -14.00*         173.50*         17,741,626         16,401,518

#### Narrative for Supplemental Budget Requests FY 2011

Program ID: TAX 100

Program Structure Level: 11 02 01 01

Program Title: Compliance

#### A. Program Objectives

To promote and maintain a tax system based on self-assessment and voluntary compliance by taxpayers through the consistent and fair application of all State tax laws administered by the Department. To reduce the amount of outstanding taxes owed to the State.

#### B. Description of Request

TAX 100 – Compliance submitted the following program change requests:

- 1. Reflect results of the Reduction-In-Force (RIF)
- 2. Reflect furlough savings
- 3. Reduction of Personal Services appropriation to meet the Program's assigned budget ceiling

#### C. Reason for Request

These request were submitted in accordance with Budget Instructions and in consideration of the projected budget shortfall.

#### D. Significant Changes to Measures of Effectiveness and Program Size

Program Program FTE has been reduced 12% from 195.5 FTE to 173.0 FTE. While the Program strives to maintain the percentage of returns audited resulting in adjustments, the Program projects decreases in the percentage of returns audited as a percentage of returns filed and in percent increase/decrease in total delinquent taxes outstanding.

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PROGRAM ID:

TAX-105

PROGRAM STRUCTURE NO: 11020103

TAX SERVICES AND PROCESSING PROGRAM TITLE:

	FY 2010			FY 2011			BIENNIUM TOTALS		
PROGRAM COSTS	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES EQUIPMENT	138.00* 6,244,215 184,286	*	138.00* 6,244,215 184,286	138.00* 6,244,215 184,286	-15.00* 885,055- 216,715 5,000	123.00* 5,359,160 401,001 5,000	12,488,430 368,572	11,603,375 585,287 5,000	ж
TOTAL OPERATING COST	6,428,501		6,428,501	6,428,501	663,340-	5,765,161	12,857,002	12,193,662	5.16-
BY MEANS OF FINANCING									
	138.00*	*	138.00*	138.00*	-15.00*	123.00*	*	*	· *
GENERAL FUND	6,428,501		6,428,501	6,428,501	663,340-	5,765,161	12,857,002	12,193,662	
TOTAL POSITIONS	138.00*	*	138.00*	138.00*	-15.00*	123.00*			
TOTAL PROGRAM COST	6,428,501		6,428,501	6,428,501	663,340-	5,765,161	12,857,002	12,193,662	5.16-

#### Narrative for Supplemental Budget Requests FY 2011

Program ID: TAX 105

Program Structure Level: 11 02 01 03

Program Title: Tax Services and Processing

#### A. Program Objectives

To process all tax documents and payments received in the most efficient and expeditious manner possible; maintain accurate accounting records for all tax programs; and promote voluntary taxpayer compliance through timely delivery of information, forms, and responses to inquiries.

#### B. Description of Request

TAX 105- Tax Services and Processing submitted the following program change requests:

- 1. Reflect results of the Reduction-In-Force (RIF)
- 2. Reflect furlough savings
- 3. Reduction of Personal Services appropriation to meet the Program's assigned budget ceiling

#### C. Reason for Request

These requests were submitted in accordance with Budget Instructions and in consideration of the projected budget shortfall.

#### D. Significant Changes to Measures of Effectiveness and Program Size

Permanent Program FTE has been reduced 11% from 138.0 FTE to 123.0 FTE. Through automation and streamlining processing efficiencies have still been realized in FY:09 vs. FY:08 for all tax-types of a non-worklisted nature:

Remittances:						
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Fiscal Year	<u>Volume</u>	Weighted Ave. No. of Weeks (calendar)
2009	1.68 million	1.7 weeks
2008	1.69 million	2.2 weeks
Non-Remittance	•	
Fiscal Year	<u>Volume</u>	Weighted Ave. No. of Weeks (calendar)
2009	1.53 million	3.8 weeks
2008	1.46 million	3.2 weeks

In FY:09 a conscience effort was made to give a higher priority to the processing of remittances (e.g., tax payments) than those of a non-remittance nature. The processing efficiencies realized in FY:10 (7/1/09 to 12/14/09) to date matched to the same period in FY:09 (7/1/08 to 12/14/08) are as follows:

#### Remittances:

Fiscal Year	<u>Volume</u>	Weighted Ave. No. of Weeks (calendar)
2010	.71 million	1 week
2009	.73 million	1 week
Non-Remittance	:	
Fiscal Year	<u>Volume</u>	Weighted Ave. No. of Weeks (calendar)
2010	.43 million	2.8 weeks
2009	.40 million	3.9 weeks

As such, the Department is not making any changes to its current Measures of Effectiveness due to its reduced program size.

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PROGRAM ID:

PROGRAM TITLE:

TAX-107

PROGRAM STRUCTURE NO: 11020104

SUPPORTING SERVICES - REVENUE COLLECTIONS

PROGRAM COSTS	CURRENT APPRN	FY 2010	RECOMMEND	CURRENT	FY 2011	RECOMMEND APPRN	BIENNIL CURRENT BIENNIUM	JM TOTALS RECOMMEND BIENNIUM	PERCENT CHANGE
	AFFRN	ADJUSTMENT	AFFKN	APPRN	ADJUSIMENI	APPKN	DIENNIUM	DIENNIUM	CHANGE
OPERATING	66.00*	*	66.00*	66.00*	-4.00*	62.00*	*	*	* *
PERSONAL SERVICES	4,196,471		4,196,471	4,139,129	167,327	4,306,456	8,335,600	8,502,927	
OTH CURRENT EXPENSES	3,122,434		3,122,434	3,122,434	184,411-	2,938,023	6,244,868	6,060,457	
EQUIPMENT	10,000		10,000	10,000		10,000	20,000	20,000	
TOTAL OPERATING COST	7,328,905		7,328,905	7,271,563	17,084-	7,254,479	14,600,468	14,583,384	.12-
BY MEANS OF FINANCING			'						
	66.00*	*	66.00*	66.00*	-4.00*	62.00*	*	*	*
GENERAL FUND	6,876,905		6,876,905	6,819,563	612,084-	6,207,479	13,696,468	13,084,384	
	*	*	*	*	*	*	*	*	*
SPECIAL FUND	452,000		452,000 ¦	452,000	595,000	1,047,000 ¦	904,000	1,499,000	
TOTAL POSITIONS	66.00*	*	66.00*	66.00*	-4.00*	62.00*			
TOTAL PROGRAM COST	7,328,905	•	7,328,905	7,271,563	17.084-	7.254.479	14.600.468	14,583,384	.12-
	=======================================						=======================================		•

#### Narrative for Supplemental Budget Requests FY 2011

Program ID: TAX 107

Program Structure Level: 11 02 01 04

Program Title: Supporting Services – Revenue Collections

#### A. Program Objectives

To enhance the Department's effectiveness and efficiency in implementing tax programs for formulating policies, allocating resources and providing direction to operations; and to improve the State's policy and decision-making process by providing timely and accurate tax data and interpretive information.

#### B. Description of Request

TAX 107– Supporting Services – Revenue Collections submitted the following program change requests:

- 1. Reflect results of the Reduction-In-Force (RIF)
- 2. Reflect furlough savings
- 3. Reduction of Personal Services appropriation to meet the Program's assigned budget ceiling
- 4. Increase in Special Fund ceilings for the Cigarette Tax Administrative Special Fund and the Tax Administration Special Fund.

#### C. Reason for Request

These request were submitted in accordance with Budget Instructions and in consideration of the projected budget shortfall.

Request to increase the Cigarette Tax Administrative Special Fund ceiling to cover increase in costs and distribution of the Cigarette Tax Stamps.

Request to increase the Tax Administration Special Fund ceiling to fund the Special Enforcement Section (SES) to carry out civil investigations of high-risk, cash-based transactions.

#### D. Significant Changes to Measures of Effectiveness and Program Size

Act 134, SLH 2009 authorized the Department of Taxation to establish 6.0 new FTE to be staffed by investigators, investigator assistants, licensed attorneys, or other support staff to staff the SES.